

24 February 2023

Re Management Discussion and Analysis for the year 2022  
Attn. The President  
The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to clarify the financial performance and financial information for the year 2022 with the following details:

### **Revenue Structure**

Group revenue structure derived from the business of manufacture and distribution of raw materials used as Food Ingredients by dividing into 6 types:

- 1.1 Flavour, Fragrance & Color
- 1.2 Food Coating
- 1.3 Dry
- 1.4 Frozen
- 1.5 Packaging (Plastic)
- 1.6 Trading goods

### **Analysis of Financial Performance**

Profit or Loss (In Million Baht)	For the Year (January - December)		Change	
	2022	2021	Amount	%
Revenue from sales and rendering services	3,961.21	3,383.98	577.23	17.06%
Cost of goods sold and rendering services	(2,615.43)	(2,125.80)	(489.63)	23.03%
<b>Gross profit</b>	<b>1,345.78</b>	<b>1,258.19</b>	<b>87.59</b>	<b>6.96%</b>
Gain on exchange rate	20.10	10.49	9.61	91.59%
Other income	7.11	7.08	0.03	0.39%
Selling expenses	(259.15)	(218.43)	(40.72)	18.64%
Administrative expenses	(503.48)	(444.31)	(59.18)	13.32%
Reversal (Net impairment losses) on financial assets	2.89	(6.46)	9.35	-144.73%
Finance costs	(9.15)	(8.86)	(0.29)	3.28%
<b>Profit before share of loss from investments accounted for using the equity method</b>	<b>604.08</b>	<b>597.70</b>	<b>6.38</b>	<b>1.07%</b>
Share of loss from investments accounted using the equity method	0.02	-	0.02	100.00%
<b>Profit before income tax expense</b>	<b>604.10</b>	<b>597.70</b>	<b>6.40</b>	<b>1.07%</b>
Income tax expense	(112.88)	(115.79)	2.91	-2.51%
Profit for the year from continuing operations	491.22	481.91	9.31	1.93%
Loss from discontinued operations - net of tax	-	(59.12)	59.12	-100.00%
<b>Profit for the year</b>	<b>491.22</b>	<b>422.79</b>	<b>68.43</b>	<b>16.18%</b>
Profit attributable to:				
Non-controlling interests	8.95	2.70	6.25	231.86%
Owners of the parent	482.27	420.10	62.18	14.80%

### **Revenues from Sales and Services for the year 2022**

For the year 2022, the Group had revenues from sales and services of Baht 3,961.21 million, which increased by Baht 577.23 million or YoY 17.06%, when compared with the same period of year 2021, which had revenues from sales and services of Baht 3,383.98 million.

The main reasons for the increase in revenues from sales amounting to 577.23 million are as follows:

- 1) The source of the revenues
  - From domestic sales, increased by Baht 350.99 million (YoY 12.57%)
  - From export sales, increased by Baht 226.24 million (YoY 38.25%)
- 2) Product groups
  - From the Food Coating Group, increased by Baht 421.94 million (YoY 30.92%)
  - From the Flavour, Fragrance & Color Group, increased by Baht 97.45 million (YoY 8.16%)
  - From the Dry Group, increased by Baht 57.65 million (YoY 26.94%)
- 3) Customer groups
  - From sales of Industrial Customers, increased by Baht 450.23 million (YoY 15.57%)
  - From sales of Large Retail Business Customers, amounting to Baht 82.58 million (YoY 33.45%)
  - From sales of General Retail Business Customers, amounting to Baht 44.42 million (YoY 18.06%)

The increase in domestic sales amounting to Baht 350.99 million, mainly resulted from the Food Coating products amounting to Baht 246.65 million, industrial customers of the Flavour, Fragrance & Color products amounting to Baht 71.34 million, and industrial customer of the Dry products amounting to Baht 38.27 million.

The increase in export sales amounting to Baht 226.24 million, mainly resulted from industrial customer of the Food Coating products amounting to Baht 175.29 million, the Flavour, Fragrance & Color products amounting to Baht 32.35 million, and the Dry products amounting to Baht 19.38 million.

### **Gross Profit for the year 2022**

For the Year 2022			Change	YoY
(In Million Baht)	2022	2021		
Gross profit	1,345.78	1,258.19	87.59	6.96%
Proportion to revenue from sales and rendering services	33.97%	37.18%		

The expansion of both domestic and international markets made the Group's gross profit for the year of 2022 increased by Baht 87.59 million, mainly from the gross profit of the Food Coating group amounting to Baht 59.58 million.

The decrease in average gross margin mainly because the proportion of revenues from sales of product groups with low gross margin had higher growth rate than those with high gross margin. The higher raw materials price of Food Coating and Flavour, Fragrance & Color, and the increase in the price of electricity for production have still affected to the higher costs of goods.

### **Selling and Administrative Expenses for the year 2022**

For the Year 2022			Change	YoY
(In Million Baht)	2022	2021		
Selling and Administrative Expenses	762.63	662.73	99.90	15.07%
Proportion to revenue from sales and rendering services	19.25%	19.58%		

The main reasons for the change in selling and administrative expenses comprised:

- An increase in local transportation expense and outbound transportation expense amounting to Baht 28.77 million resulted from increase in domestic and export sales
- An increase in salaries, bonuses, and employee expenses, amounting to Baht 27.01 million, the main reasons were:
  - 1) Salaries from the increase of the annual salary rate and from the increase in number of employees of Product Research and Development Department, Industrial Sales and Overseas Sales, Human Resources Department and a subsidiary in Indonesia, amounting to Baht 23.92 million.
  - 2) Bonus amounting to Baht 3.96 million.
- An increase in commission expense amounting to Baht 8.10 million resulted from the increase in sales of industrial customers.
- An increase in the electricity expense of Baht 5.77 million resulted from the adjustment of the electricity bill.
- An increase in depreciation of Baht 5.32 million resulted from tools and equipment and building improvements.
- An increase in the petrol expense of Baht 3.84 million resulted from the continuous increase in petrol price.
- An increase in the maintenance expense of Baht 3.21 million.
- An increase in consulting and professional fees of Baht 2.90 million from Product Research and Development Department.
- An increase in sample products for customers of Baht 2.73 million for promote the product.

### **Expected Credit Losses**

For the year 2022, the Group reversed an expected credit loss of Baht 2.89 million, representing 0.07% of revenues from sales and services. This reversal decreased from the same period of 2021 of Baht 9.35 million (YoY -144.73%), which set up allowance for expected credit loss of Baht 6.46 million, representing 0.19% of revenues from sales and services. The decrease in allowance for expected credit loss was because of better collection which required lower allowance for expected credit loss.

### **Profit for the year 2022**

For the Year 2022			Change	YoY
(In Million Baht)	2022	2021		
Profit for the year	491.22	422.79	68.43	16.18%
Proportion to revenue from sales and rendering services	12.40%	12.49%		
Profit for the year from continuing operations	491.22	481.91	9.31	1.93%
Proportion to revenue from sales and rendering services	12.40%	14.24%		

Profit from continuing operations (excluding loss from discontinued operations of the hotel business of Baht 59.12 million)

The increase in profit for the year/profit for the year from continuing operations mainly because the proportion of revenues from sales of product groups with low profit margin had higher growth rate than those with high profit margin. The higher raw materials price of Food Coating and Flavour, Fragrance & Color, and the increase in the price of electricity for production have still affected to the higher costs of goods.

### **Profit attributable to the Owner of the Parent for the year 2022**

For the year 2022, the Group's profit attributable to the owner of the parent was Baht 482.27 million, representing 12.17% of revenues from sales and services, an increase of Baht 62.18 million (YoY 14.80%), compared with the same period of year 2021, where there was profits attributable to the owner of the parent amounting to Baht 420.10 million, representing 12.41% of revenues from sales and services.

### **Analysis of the Financial Position**

#### **Assets**

As of 31 December 2022, the Group had total assets of Baht 5,204.25 million, which increased of Baht 198.73 million or 3.97% from the balance as at 31 December 2021 where the total assets were Baht 5,005.52 million.

The major changes comprised:

- 1) Decrease in cash and cash equivalents of Baht 108.00 million mainly due to:-
  - Payments for purchase of machinery and equipment, vehicles, land and building improvements of Baht 395.37 million.
  - Dividend paid to the shareholders of the Company of Baht 300.00 million.
  - Investment in joint venture of RBS-TU Food Ingredients Private Limited of Baht 111.02 million.
  - Net cash received from financial assets (fixed deposit) of Baht 400.00 million.
  - Cash received from operations of Baht 309.36 million.
- 2) An increase in inventories of Baht 227.17 million, mainly due to:-
  - An increase in raw materials of Baht 152.95 million, mainly consisted of Food Coating group of Baht 71.73 million, the Flavour, Fragrance & Color group of Baht 71.26 million, and Dry group of Baht 2.32 million, to ensure the production of increased purchase.
  - An increase in finished goods of Baht 113.38 million, mainly consisted of the Trading goods group of Baht 74.09 million and the Food Coating group of Baht 41.84 million, in order to promptly support the customer orders.
  - An increase in allowance for inventory obsolescence of Baht 28.13 million, mainly from Trading goods group and the Packaging (Plastic) group.
  - An increase in allowance for decline in value of inventories of Baht 3.92 million, mainly from the Packaging (Plastic) group and the Food Coating group.
  - A decrease in the goods in transit of Trading goods of Baht 10.10 million.
- 3) An increase in property, plant and equipment of Baht 209.72 million, mainly due to investments both domestically and internationally for machinery and equipment, vehicles, land and building improvements, amounting to Baht 411.71 million and net of depreciation during the year of Baht 192.53 million.
- 4) An increase in trade and other account receivables amounting to Baht 147.82 million, mainly due to increase in domestic and export sales.
- 5) An increase in investment in the joint venture of RBS-TU Food Ingredients Private Limited of Baht 111.02 million.

### **Liabilities**

As of 31 December 2022, the Group had total liabilities of Baht 807.73 million, representing 15.52% of total assets. Total liabilities increased of Baht 38.77 million or 5.04% when compared with total liabilities as at 31 December 2021 of Baht 768.97 million, representing 15.36% of total assets. The major changes came from the following main reasons:

- 1) The increase in trade and other payables of Baht 40.87 million.
- 2) The decrease in employee benefit obligations from an assessed by actuary of Baht 2.62 million.

### **Shareholders' Equity**

As of 31 December 2022, the Group had total shareholders' equity of Baht 4,396.52 million, equivalent to 84.48% of total assets. The shareholders' equity increased of Baht 159.96 million or 3.78% when compared with shareholders' equity as at 31 December 2021, which had balance of Baht 4,236.55 million, representing to 84.64% of total assets. The major changes were from:

- 1) Profit attributable to the owner of the parent for the year of 2022 of Baht 482.27 million.
- 2) Profit from non-controlling interests for the year 2022 of Baht 8.95 million.
- 3) Increase in non-controlling interests from its subsidiaries called for share subscription from non-controlling interests net of dividends of Baht 3.43 million.
- 4) Dividend payment to the shareholders of the Company of Baht 300.00 million.
- 5) Other components of shareholders' equity (currency translation difference of financial statements) of Baht 38.23 million.

### **Cash Flow Statements**

Statement of cash flows as of 31 December 2022 were as follows:

- 1) Net cash flows provided by operating activities of Baht 309.36 million.
- 2) Net cash flows provided by investing activities of Baht 106.16 million, mostly from cash received from the maturity of financial assets (fixed deposits) of Baht 400.00 million, net of cash paid for the purchase of property, plant and equipment of Baht 395.37 million as well as cash paid for the payment of shares in the joint venture of RBS-TU Food Ingredients Private Limited of Baht 111.02 million.
- 3) Net cash flows used in financing activities of Baht 312.32 million, mainly from dividends paid to shareholders of the Company of Baht 301.23 million and cash paid for the principal under lease agreements of Baht 15.75 million.
- 4) Cash and cash equivalents as of 31 December 2022 amounting to Baht 666.46 million and as at 31 December 2021 amounting to Baht 774.46 million.

**Financial Ratios as at 31 December 2022**

Compared with Financial Ratios as of 31 December 2021

1) Liquidity Ratios

1.1 The liquidity ratio as of 31 December 2022 was at 4.94 times, decreased when compared with the liquidity ratio as of 31 December 2021, which was averaged at 5.50 times, due to cash flows used in investing in property, plant and equipment and purchase of investment in the joint venture of RBS-TU Food Ingredients Private Limited.

Financial Ratios	For the year ended 31 December 2022	For the year ended 31 December 2021
<b><u>Liquidity Ratio</u></b>		
Current Ratio (Time)	4.94	5.50
Quick Ratio (time)	2.81	3.67
Average Collection Period (Day)	83	88
Average Sale Period (Day)	154	150
Average Payment Period (Day)	51	51
Cash Cycle (Day)	186	187

2) Profitability Ratios

2.1 The gross profit margin rate as of 31 December 2022 was 33.97%, which was lower than gross profit margin rate as of 31 December 2021 (37.18%). The average gross profit margin rate decreased mainly because the proportion of revenues from sales of product groups with low gross margin had higher growth rate than those with high gross margin. The higher raw materials price of Food Coating, Flavour, Fragrance & Color and the increase in the price of electricity for production have still affected to the higher costs of goods.

2.2 The return on equity as of 31 December 2022 was 11.22%, which was higher than the return on equity as of 31 December 2021, which was 10.10%.

3) Efficiency Ratio

3.1 Return on assets as of 31 December 2022 was 12.01%, which was higher than return on assets as of 31 December 2021, which was 12.27%.

Financial Ratios	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Profitability Ratio</b>		
Gross Profit Margin (%)	33.97	37.18
Operating Profit Margin (%)	14.72	17.60
Net Profit Margin (%)	12.38	12.47
Return on Equity (ROE %)	11.22	10.10
<b>Efficiency Ratio</b>		
Return on Asset (ROA %)	12.01	12.27
<b>Financial policy Ratio</b>		
Debt to Equity Ratio (Time)	0.18	0.18

Yours Sincerely

(Mr. Suranart Kittirattanadetch)  
Chief Financial Officer  
R&B Food Supply Public Company Limited